STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Financial Statements

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

701 West Eighth Avenue
Suite 600
Anchorage, AK 99501

Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Public Employees' Retirement Board
State of Alaska Deferred Compensation Plan:

We have audited the accompanying statements of fiduciary net assets of the State of Alaska Deferred Compensation Plan (Plan), a Component Unit of the State of Alaska, as of December 31, 2002 and 2001, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the State of Alaska Deferred Compensation Plan as of December 31, 2002 and 2001, and the changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2, the Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government*, as amended, effective January 1, 2002.

The accompanying required supplementary information of management's discussion and analysis on pages 2 to 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

June 13, 2003

Management Discussion & Analysis

The objective of Management's Discussion and Analysis is to help readers of the Deferred Compensation Plan (the Plan) financial statements better understand the Plan's financial position and operating activities for the year ended December 31, 2002, with selected comparative information for the year ended December 31, 2001. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

The Plan

The Plan is a defined contribution plan and was created by State of Alaska Statutes issued May 31, 1974, and was restated in January 1, 2002, and most recently amended April 1, 2003. It is a deferred compensation plan under Section 457 of the Internal Revenue Code and is available to all permanent employees, long-term non-permanent employees, or elected officials of the State of Alaska (State) who have completed a full pay period of employment. Participants in the Plan authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2002 and 2001, the Plan had approximately 7,700 and 7,600 participants, respectively.

The Division of Retirement and Benefits is responsible for Plan administration and recordkeeping. The Alaska State Pension Investment Board is responsible for the specific investment of moneys in the Plan.

Financial Highlights

- The net assets held in trust for benefits at December 31, 2002, are $348.3 million. The net assets represent employee contributions and net investment income.
- The net assets of the Plan decreased by $38.9 million, or approximately 10.0%, from the prior year.
- The Plan incurred a net investment loss of $32.9 million in the 2002 calendar year, compared to a $18.8 million investment loss in the 2001 calendar year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which are comprised of the following:

- Statements of Fiduciary Net Assets
- Statements of Changes in Fiduciary Net Assets
- Notes to the Financial Statements

Statements of Fiduciary Net Assets - presents information on the Plan's assets and liabilities and the resulting net assets held in trust for pension and insurance benefits. This statement reflects the Plan's investments at fair market value, along with cash and short-term investments, receivables, and other assets and liabilities.

Statement of Changes in Fiduciary Net Assets - presents information showing how the Plan's net assets held in trust for benefits changed during the years ended December 31, 2002 and 2001. It reflects contributions by employees and employers along with investment income (or losses) during the period from individual participant directed investing activities. Deductions for participant withdrawals, benefit payments, and administrative expenses are also presented.

Notes to The Financial Statements **-** provides additional information that is essential to a full understanding of the data provided in the financial statements.

Investments

The Plan is participant directed, which means that the Plan's participants decide in which options to invest. Of total Plan Fiduciary Net Assets of $348.3 million, 99.4% of which, or $346.3 million, are specifically allocated to individual participant accounts.

Each participant designates how his or her contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

As of December 31, 2002, the following funds are available to participants for investment.

Collective Investment Funds:

Equity Fund – this fund invests in diversified common stocks of high-quality growth companies for long-term capital growth, with income a secondary consideration. This investment option is only available to participants whose contributions were originally invested with the Hartford Life Insurance Company, and have since remained with Hartford.

Bond Fund – this fund invests in investment grade corporate and government bonds and other debt securities. This investment option is only available to participants whose contributions were originally invested with the Hartford Life Insurance Company, and have since remained with Hartford.

International Index Fund – this fund buys and holds virtually all of the stocks in the MSCI EAFE-Free Index. The fund is designed to hold the same equities in the same proportions as in the index itself. Effective December 2001, this fund was replaced by the International Equity Fund.

International Equity Fund – this fund invests principally in common and preferred stocks of foreign companies and securities that are convertible into such common stocks.

Small CAP Index Fund – this fund allows investors exposure to the U.S. equity market, excluding all stocks in the S&P 500 Composite Index. The fund minimizes risk by holding a sampling of the approximately 5,000 issues in the Small Cap Index. Effective December 2001, this fund was replaced by the Small Cap Stock Trust Fund.

Small CAP Stock Fund/Small CAP Stock Trust Fund – this fund invests at least 65% of its total assets in the stocks and equity-related securities of small companies.

Citizens Core Growth Fund – this fund invests in stocks and bonds of U.S. and international companies and governments, with an emphasis on those that are managed in a socially responsible manner.

S&P 500 Index Fund – this fund buys and holds virtually all of the stocks in the S&P 500 Index. The fund is designed to hold the same stocks in the same proportions as in the index itself.

Tactical Asset Allocation Fund – this fund invests in a mix of stocks and bonds, sometimes in a combination with a money market fund. The fund relies on a computer-based model to determine the allocation of index funds.

Global Balanced Fund – this fund invests in stocks and bonds of U.S. and international companies and government bonds issued by the U.S. and other governments.

Government/Credit Bond Fund – this fund buys and holds representative portfolios of the securities included in the Lehman Brothers Government/Credit Bond Index. The fund seeks to closely match the Index's total rate of return.

Intermediate Bond Fund – this fund buys and holds representative securities included in the Lehman Brothers Intermediate Bond Index. The fund seeks to closely match the Index's total rate of return.

Interest Income Fund

Interest Income Fund – this fund invests primarily in synthetic investment contracts, including underlying securities which support such contracts issued by U.S. and Canadian insurance companies, U.S. banks and U.S. branches of foreign banks and meet high quality and credit standards.

Participant Directed Investments at December 31 Year End (000's Omitted)

		2002	2003
Interest Income Fund	$	119,771	119,215
S&P 500 Index Fund		96,389	129,222
Government / Credit Bond Fund		34,268	28,259
Small Cap Stock Trust Fund		33,620	40,671
Tactical Asset Allocation Fund		17,259	20,759
Global Balanced Fund		16,877	18,430
Intermediate Bond Fund		13,281	10,521
International Equity Fund		10,429	11,913
Equity Fund		2,220	3,172
Citizens Core Growth Fund		1,952	2,685
Bond Fund		246	235

STATE OF ALASKA
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Management's Discussion and Analysis

Investment Returns For the 12-Month Period Ended December 31, 2002 (Unaudited)

	1–Year Actual
International Equity Fund	-15.80 %
Small Cap Trust Fund	-15.06
Citizens Core Growth Fund	-25.24
S&P Stock Index Fund	-22.08
Global Balanced Fund	-11.63
Tactical Asset Allocation Fund	-11.89
Government / Credit. Bond Fund	-10.89
Intermediate Bond Fund	-9.71
Interest Income Fund	-5.68

The Equity Fund and Bond Fund have both been closed to participant use since 1986. Because of the closed nature of the funds, a rate of return on a fully comparable basis is not available. However, both funds closely mirror funds generally of the same asset composition description that are actively available.

Fiduciary Responsibilities

The Alaska State Pension Investment Board, the Plan Administrator, and the Commissioner of Administration are co-fiduciaries of the Plan. The assets of the plan can only be used for the exclusive benefit of the plan's participants, beneficiaries, and alternate payees.

Request For Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Alaska Division of Retirement & Benefits
Alaska Deferred Compensation Plan
PO Box 110203
Juneau, Alaska 99811-0203

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Statements of Fiduciary Net Assets

December 31, 2002 and 2001

(000's omitted)

		2002	2001
Current assets:			
Participant contributions receivable	$	1,412	1,316
Investments:			
Collective investment funds, at fair value:			
Participant-directed		226,541	265,867
Money market fund		583	768
		227,124	266,635
Interest income fund:			
Synthetic investment contracts, at contract value		113,100	110,937
Cash and cash equivalents, at fair value		6,671	8,278
		119,771	119,215
Total investments		346,895	385,850
Total assets		348,307	387,166
Commitments and contingencies			
Net assets held in trust for individuals, organizations, and other governments	$	348,307	387,166

See accompanying notes to financial statements.

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
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Statements of Changes in Fiduciary Net Assets

Years ended December 31, 2002 and 2001

(000's omitted)

		2002	2001
Additions:			
Participant contributions	$	29,575	25,589
Investment income (loss):			
Net depreciation in fair market value of investments		(39,132)	(25,619)
Interest income		6,179	6,802
Net investment loss		(32,953)	(18,817)
Total additions		(3,378)	6,772
Deductions:			
Benefits paid to participants and purchases of annuity contracts		34,645	24,408
Administrative expenses		836	785
Total deductions		35,481	25,193
Net decrease in net assets held in trust for individuals, organizations, and other governments		(38,859)	(18,421)
Net assets, beginning of year		387,166	405,587
Net assets, end of year	$	348,307	387,166

See accompanying notes to financial statements.

(1) Description

The following brief description of the State of Alaska Deferred Compensation Plan (Plan), a defined contribution plan, is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

(a) General

The Plan was created by State of Alaska (State) Statutes issued May 31, 1974, and was most recently amended and restated January 1, 2002 with a subsequent amendment effective April 1, 2003. It is a deferred compensation plan under Section 457 of the Internal Revenue Code and is available to all permanent employees or elected officials of the State (and with the April 1, 2003 amendment all long term non-permanent employees) who have completed a full pay period of employment. Participants in the Plan authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2002 and 2001, the Plan had approximately 7,700 and 7,600 participants, respectively.

As a result of the passage of The Small Business Job Protection Act of 1996 (SBJPA), all amounts deferred, including amounts deferred before the effective date of the new law, under an eligible 457 plan must be held in a trust for the exclusive benefit of employees and beneficiaries. This new law repealed the requirement that a Section 457 plan sponsored by a government be solely the property of the employer, subject only to the claims of the employer's general creditors. The trust requirement generally applies to assets and income held by a plan on and after the date of enactment of the SBJPA. For any plan in existence on the date of enactment of the SBJPA, a trust need not be established before January 1, 2000.

As to the State of Alaska Deferred Compensation Plan, the Plan Document was amended effective January 1, 1997 to recognize and establish the Trust requirement for the Plan. The formal trust documents were completed by December 31, 1998.

The plan was completely restated effective January 1, 2002 for compliance with the Economic Growth and Tax Relief Reconciliation Act of 2001.

The Division of Retirement and Benefits is responsible for Plan administration and recordkeeping. The Alaska State Pension Investment Board is responsible for the specific investment of moneys in the Plan.

(b) Contributions

Employees who choose to participate in the Plan contribute a minimum of fifty dollars a month ($600 per year). Under the current law, the maximum amount that can be deferred in a year is the lesser of $12,000 or 50% of the participant's includable compensation. Includable compensation is the amount of gross earnings after contributions to Supplemental Benefits System, Public Employees' Retirement System or Teachers' Retirement System. However, for each of the participant's last three calendar years ending prior to normal retirement age, a "catch-up limitation" applies which allows larger contributions (up to $24,000 in 2003 with increasing limits in successive years). Participants vest automatically in all of their contributions and earnings on those contributions.

(c) Participant Accounts

Participant accounts are self-directed with respect to investment options. At December 31, 2002 and 2001, participants had the following investment options:

Collective Investment Funds

Equity Fund – this fund invests in diversified common stocks of high-quality growth companies for long-term capital growth, with income a secondary consideration. This investment option is only available to participants whose contributions were originally invested with the Hartford Life Insurance Company, and have since remained with Hartford.

Bond Fund – this fund invests in investment grade corporate and government bonds and other debt securities. This investment option is only available to participants whose contributions were originally invested with the Hartford Life Insurance Company, and have since remained with Hartford.

International Index Fund – this fund buys and holds virtually all of the stocks in the MSCI EAFE-Free Index. The fund is designed to hold the same equities in the same proportions as in the index itself. Effective December 2001, this fund was replaced by the International Equity Fund.

International Equity Fund – this fund invests principally in common and preferred stocks of foreign companies and securities that are convertible into such common stocks.

Small CAP Index Fund – this fund allows investors exposure to the U.S. equity market, excluding all stocks in the S&P 500 Composite Index. The fund minimizes risk by holding a sampling of the approximately 5,000 issues in the Small Cap Index. Effective December 2001, this fund was replaced by the Small Cap Stock Trust Fund.

Small CAP Stock Fund/Small CAP Stock Trust Fund – this fund invests at least 65% of its total assets in the stocks and equity-related securities of small companies.

Citizens Core Growth Fund – this fund invests in stocks and bonds of U.S. and international companies and governments, with an emphasis on those that are managed in a socially responsible manner.

S&P 500 Index Fund – this fund buys and holds virtually all of the stocks in the S&P 500 Index. The fund is designed to hold the same stocks in the same proportions as in the index itself.

Tactical Asset Allocation Fund – this fund invests in a mix of stocks and bonds, sometimes in a combination with a money market fund. The fund relies on a computer-based model to determine the allocation of index funds.

Global Balanced Fund – this fund invests in stocks and bonds of U.S. and international companies and government bonds issued by the U.S. and other governments.

Government/Credit Bond Fund – this fund buys and holds representative portfolios of the securities included in the Lehman Brothers Government/Credit Bond Index. The fund seeks to closely match the Index's total rate of return.

Intermediate Bond Fund – this fund buys and holds representative securities included in the Lehman Brothers Intermediate Bond Index. The fund seeks to closely match the Index's total rate of return.

Interest Income Fund

Interest Income Fund – this fund invests primarily in synthetic investment contracts, including underlying securities which support such contracts issued by U.S. and Canadian insurance companies, U.S. banks and U.S. branches of foreign banks and meet high quality and credit standards.

Each participant designates how his or her contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

A recordkeeping/administrative fee is deducted monthly from each participant's account, applied pro rata to all the funds the member participates in. This fee is for all costs incurred by the recordkeeper and by the State. The investment management fees are netted out of the funds' performance.

(d) Payment of Benefits

Participants are eligible to withdraw their account balance upon termination in the form of a lump sum, one of various annuities, or a periodic payment option, unless the participant elects to defer commencement of benefits. The deferred benefit commencement date can be no later than April 1 of the year after the participant would have turned age 70-1/2. Payment of benefits to a participant commences sixty days after termination or the deferred benefit commencement date, as applicable.

Participants may request a hardship withdrawal for an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. Hardship withdrawals are received as lump sum distributions and must be approved by the Plan Administrator.

The Plan purchases annuity contracts from an insurance company. The annuity contracts are excluded from Plan assets.

(e) Income Taxes

The Plan is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code.

(f) Termination, Partial Termination or Complete Discontinuance of Contributions

Although the State has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State may in its sole and absolute discretion terminate the Plan in whole or in part at any time without liability whatsoever for such termination. If the Plan shall be terminated, the participants in the Plan will be deemed to have withdrawn from the Plan as of the date of such termination. Deferred compensation shall thereupon cease. Upon Plan termination, each participant or beneficiary shall be given the opportunity to elect a benefit commencement date and form of payment.

(2) Summary of Significant Accounting Policies

(a) Accounting Basis

The Plan utilizes the economic resources measurement focus and the accrual method of accounting. In preparing the financial statements, the Plan Administrator is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, and additions and deductions for the reporting period. Actual results could differ from those estimates.

(b) Valuation of Collective Investment Funds

The Plan's investments in Collective Investment Funds (note 3), held in trust, are stated at fair market value based on the unit value as reported by the trustees multiplied by the number of units held by the Plan. The unit value is determined by the trustees based on the fair market value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(c) Valuation of Synthetic Investment Contracts

The Plan's investments in fully benefit responsive synthetic investment contracts (note 4) are stated at contract values which include contributions made under the contracts, plus earnings, less investment expenses and participant withdrawals paid to terminated members.

(d) Contributions Receivable

Contributions applicable to wages earned through the Plan's year-end are accrued. These contributions are considered fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

(e) GASB Statement No. 34

The Plan adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) on January 1, 2002, concurrent with the State of Alaska's adoption of GASB No. 34.

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This statement, known as the "reporting model" statement, affects the way the Plan presents financial information. GASB No. 34 requires the basic financial statements of fiduciary funds to include statements of fiduciary net assets and statements of changes in fiduciary net assets. Modifications made to the Plan's financial reporting model as a result of the adoption of GASB No. 34 include presentation of management's discussion and analysis (as required supplementary information) and presentation of assets and liabilities in a classified format. The 2001 financial statements have been adjusted to conform to the requirements of GASB No. 34.

(3) Collective Investment Funds

The Plan's investments at December 31 include the following collective investment funds:

	Units Owned		Unit Value	Balance (000's omitted)	
2002:					
Equity funds:					
International Equity Fund	871,972	$	11.960	10,429	
Small CAP Stock Trust Fund	1,555,061		21.620	33,620	*
S & P 500 Index Fund	3,796,359		25.390	96,389	*
Citizens Core Growth Fund	158,834		12.290	1,952	
Equity Fund, actively managed	158,890		13.961	2,220	
		$		144,610	
Bond and debt securities funds:					
Government/Credit Bond Fund	1,693,782		20.232	34,268	*
Intermediate Bond Fund	743,714		17.857	13,281	
Bond Fund, actively managed	38,091		6.461	246	
		$		47,795	
Bond and equity funds:					
Tactical Asset Allocation Fund	2,157,339		8.000	17,259	
Global Balanced Fund	854,534		19.750	16,877	
		$		34,136	
Money Market Fund	42,160		13.827	583	
Total collective investment funds		$		227,124	

*Represents five percent or greater of plan assets at December 31

	Units owned		Unit value	Balance (000's omitted)	
2001:					
Equity funds:					
International Equity Fund	798,397	$	14.920	11,913	
Small CAP Stock Fund	1,597,515		25.460	40,671	*
S&P 500 Index Fund	3,968,735		32.560	129,222	*
Citizens Core Growth Fund	163,335		16.440	2,685	
Equity Fund, actively managed	170,360		18.615	3,172	
		$		187,663	
Bond and debt securities funds:					
Government/Credit Bond Fund	1,548,926		18.244	28,259	*
Intermediate Bond Fund	646,259		16.280	10,521	
Bond Fund, actively managed	39,519		5.928	235	
		$		39,015	
Bond and equity funds:					
Tactical Asset Allocation Fund	2,286,272		9.080	20,759	*
Global Balanced Fund	824,613		22.350	18,430	
		$		39,189	
Money Market Fund	55,742		13.768	768	
Total collective investment funds		$		266,635	

* Represents five percent or greater of plan assets at December 31

STATE OF ALASKA
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(A Component Unit of the State of Alaska)

Notes to Financial Statements

Year ended December 31, 2002

(Dollars in Thousands)

(4) Changes in Fiduciary Net Assets

During the years ended Decempber 31, 2002 and 2001 the following changes in fiduciary net assets by fund took place:

		Participant Directed						
		Equity Fund	**Bond Fund**	**International Equity Fund**	**Small CAP Stock Trust Fund**	**Citizens Core Growth Fund**	**S&P 500 Index Fund**	**Tactical Asset Allocation Fund**
2002:								
Additions:								
Participant contributions	$	—	—	1,190	3,424	349	10,373	2,411
Investment income (loss):								
Net appreciation (depreciation) in fair market value of investments		(750)	20	(2,076)	(6,441)	(727)	(28,311)	(2,511)
Interest income		—	—	—	—	—	—	—
Net investment income (loss)		(750)	20	(2,076)	(6,441)	(727)	(28,311)	(2,511)
Total additions	$	(750)	20	(886)	(3,017)	(378)	(17,938)	(100)
Deductions:								
Benefits paid to participants and purchases of annuity contracts		111	—	997	2,783	187	8,759	1,449
Administrative expenses:								
Actual fees paid		—	—	—	—	—	—	—
Fees deducted from participant accounts		—	—	22	68	4	203	35
Total deductions	$	111	—	1,019	2,851	191	8,962	1,484
Net increase (decrease) prior to interfund transfers		(861)	20	(1,905)	(5,868)	(569)	(26,900)	(1,584)
Interfund transfers		(91)	(9)	421	(1,183)	(164)	(5,933)	(1,916)
Net increase (decrease) in net assets held in trust for individuals, organizations, and other governments		(952)	11	(1,484)	(7,051)	(733)	(32,833)	(3,500)
Net assets, beginning of year		3,172	235	11,913	40,671	2,685	129,222	20,759
Net assets, end of year	$	2,220	246	10,429	33,620	1,952	96,389	17,259

				Non-Participant Directed		
Global Balanced Fund	Government/ Credit Bond Fund	Inter- mediate Bond Fund	Interest Income Fund	Money Market Fund	Participant contributions receivable	Total
2,007	2,791	1,055	5,879	—	96	29,575
(2,348)	3,004	1,008	—	—	—	(39,132)
—	—	—	6,176	3	—	6,179
(2,348)	3,004	1,008	6,176	3	—	(32,953)
(341)	5,795	2,063	12,055	3	96	(3,378)
1,223	3,084	1,393	14,659	—	—	34,645
—	—	—	—	836	—	836
32	52	20	212	(648)		—
1,255	3,136	1,413	14,871	188	—	35,481
(1,596)	2,659	650	(2,816)	(185)	96	(38,859)
43	3,350	2,110	3,372	—	—	—
(1,553)	6,009	2,760	556	(185)	96	(38,859)
18,430	28,259	10,521	119,215	768	1,316	387,166
16,877	34,268	13,281	119,771	583	1,412	348,307

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STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Notes to Financial Statements

Year ended December 31, 2001

(Dollars in Thousands)

	Participant Directed						
	Equity Fund	Bond Fund	International Index Fund	International Equity Fund	Small CAP Index Fund	Small CAP Stock Fund	Small CAP Stock Trust Fund
2001:							
Additions:							
Participant contributions	$ —	—	803	233	2,291	501	262
Investment income (loss):							
Net appreciation in fair market value of investments	(534)	40	(3,681)	9	(4,525)	181	1,504
Interest income	—	—	—	—	—	—	—
Net investment income (loss)	(534)	40	(3,681)	9	(4,525)	181	1,504
Total additions	(534)	40	(2,878)	242	(2,234)	682	1,766
Deductions:							
Benefits paid to participants and purchases of annuity contracts	75	—	610	22	1,499	16	34
Administrative expenses:							
Actual fees paid	—	—	—	—	—	—	—
Fees deducted from participant accounts	—	—	23	—	39	1	36
Total deductions	75	—	633	22	1,538	17	70
Net increase (decrease) prior to interfund transfers	(609)	40	(3,511)	220	(3,772)	665	1,696
Interfund transfers	(481)	(1,002)	(13,969)	11,693	(40,853)	(665)	38,975
Net increase (decrease) in net assets held in trust for individuals, organizations, and other governments	(1,090)	(962)	(17,480)	11,913	(44,625)	—	40,671
Net assets, beginning of year	4,262	1,197	17,480	—	44,625	—	—
Net assets, end of year	$ 3,172	235	—	11,913	—	—	40,671

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							Non-Participant Directed		
Citizens Core Growth Fund	S&P 500 Index Fund	Tactical Asset Allocation Fund	Global Balanced Fund	Government/ Credit Bond Fund	Inter-mediate Bond Fund	Interest Income Fund	Money Market Fund	Participant contributions receivable	Total
84	10,670	2,234	1,562	1,931	505	4,347	—	166	25,589
(163)	(18,925)	(1,543)	(542)	1,911	649	—	—	—	(25,619)
—	—	—	—	—	—	6,776	26	—	6,802
(163)	(18,925)	(1,543)	(542)	1,911	649	6,776	26	—	(18,817)
(79)	(8,255)	691	1,020	3,842	1,154	11,123	26	166	6,772
9	7,074	2,523	715	1,533	530	9,768	—	—	24,408
—	—	—	—	—	—	—	785	—	785
1	264	42	35	48	16	220	(725)		—
10	7,338	2,565	750	1,581	546	9,988	60	—	25,193
(89)	(15,593)	(1,874)	270	2,261	608	1,135	(34)	166	(18,421)
2,774	(12,675)	(1,256)	(1,308)	8,558	3,841	6,368	—	—	—
2,685	(28,268)	(3,130)	(1,038)	10,819	4,449	7,503	(34)	166	(18,421)
—	157,490	23,889	19,468	17,440	6,072	111,712	802	1,150	405,587
2,685	129,222	20,759	18,430	28,259	10,521	119,215	768	1,316	387,166

(Continued)

(Dollars in Thousands)

(5) Synthetic Investment Contracts

Accounts and terms of synthetic investment contracts in effect at December 31 are as follows:

Contract issuer	Contract year	Contract termination	Interest rate		2002	2001
Union Bank Switzerland	2000	Open	5.86%	$	24,061	22,593
State Street Bank	2000	Open	5.86%		24,062	22,594
Caisse Des Depots	1999	10/15/05	4.95%		22,395	22,410
Rabobank Nederland	1997	10/15/05	4.95%		22,391	22,414
National Westminster Bank	1995	10/15/05	4.95%		20,191	20,926
				$	113,100	110,937

All synthetic contracts at December 31, 2002 and 2001, represent five percent or greater of plan assets.

(a) Caisse Des Depots

In 1999, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Caisse Des Depots. This financial institution maintains cumulative deposits of $18,260 in a separately managed laddered evergreen synthetic investment portfolio. The account is credited with earnings less administrative expenses charged by the financial institution and participant withdrawals. The contract is included in the Plan's financial statements at contract value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2002 and 2001 was $22,395 and $22,410, respectively as reported by Caisse Des Depots, and the market value of the portfolio at December 31, 2002 and 2001 was $23,230 and $23,027, respectively. The average crediting rates were approximately five and six percent for 2002 and 2001, respectively. The crediting interest rate is based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration. As of December 31, 2002 the last scheduled maturity payment date was October 15, 2005.

(b) Union Bank Switzerland

In 2000, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Union Bank Switzerland. This financial institution maintains cumulative deposits of $20,736 in a separately managed constant duration synthetic investment portfolio. The account is credited with earnings, less administrative expenses charged by the financial institution and participant withdrawals. The contract is included in the Plan's financial statements at contract value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2002 and 2001 was $24,061 and $22,593, respectively, as reported by Union Bank Switzerland, and the market value of the portfolio at December 31, 2002 and 2001 was $25,545 and $23,494, respectively. The average crediting rates were approximately six and seven percent for 2002 and 2001. The crediting interest rate is based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration.

(c) State Street Bank

In 2000, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with State Street Bank. This financial institution maintains cumulative deposits of $20,736 in a separately managed constant duration synthetic investment portfolio. The account is credited with earnings, less administrative expenses charged by the financial institution and participant withdrawals. The contract is included in the Plan's financial statements at contract value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2002 and 2001 was $24,062 and $22,594, respectively, as reported by State Street Bank, and the market value of the portfolio at December 31, 2002 and 2001 was $25,546 and $23,496, respectively. The average crediting rates were approximately six and seven percent for 2002 and 2001. The crediting interest rate is based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration.

(d) Rabobank Nederland

In 1997, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Rabobank Nederland. This financial institution maintains cumulative deposits of $15,143 in a separately managed laddered evergreen synthetic investment portfolio. The account is credited with earnings, less administrative expenses charged by the financial institution and participant withdrawals. The contract is included in the Plan's financial statements at contract value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2002 and 2001 was $22,391 and $22,414, respectively, as reported by Rabobank Nederland, and the market value of the portfolio at December 31, 2002 and 2001 was $23,227 and $23,031, respectively. The average crediting rates were approximately five and six percent for 2002 and 2001, respectively. The crediting interest rate is based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration. As of December 31, 2002 the last scheduled maturity payment date was October 15, 2005.

(e) National Westminster Bank

In 1995, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with National Westminster Bank. This financial institution maintains cumulative deposits of $10,777 in a separately managed laddered evergreen synthetic investment portfolio. The account is credited with earnings less administrative expenses charged by the financial institution and participant withdrawals. The contract is included in the Plan's financial statements at contract value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2002 and 2001 was $20,191 and $20,926, respectively as reported by National Westminster Bank, and the market value of the portfolio at December 31, 2002 and 2001 was $20,944 and $21,502, respectively. The average crediting rates were approximately five and six percent for 2002 and 2001, respectively. The crediting interest rate is based on the approximate rate of interest that will amortize the difference between book and market value over the portfolio's average duration. As of December 31, 2002, the last scheduled maturity payment date was October 15, 2005.

(Dollars in Thousands)

(6) Credit Risk

To provide an indication of the level of credit risk assumed by the Plan at December 31, 2002, investment securities are categorized as follows:

Category 1 – Insured or registered for which the securities are held by the State or its custodian in the Plan's name.

Category 2 – Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Plan's name.

Category 3 – Uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Plan's name.

	Category 1	Category 2	Category 3	Not categorized	Carrying value	Fair market value
Collective investment funds	$ —	—	—	227,124	227,124	227,124
Interest income funds	$ —	—	—	119,771	119,771	125,163

Investments in collective investment funds cannot be categorized into one of the above three risk categories because they represent interests in funds rather than ownership of specific securities.

Investments included in the interest income fund cannot be categorized into one of the above three risk categories because they represent interests in synthetic investment contracts which are not considered transferable financial instruments.